Why the “Keep Our Pension Promises Act” Must Be Passed

On June 18, 2015, Senator Bernie Sanders (I-Vt.) and Marcy Kaptur (D-Ohio) introduced the Keep Our Pension Promises Act of 2015 into the U.S. Congress to stop benefit cutbacks for retirees in certain underfunded multiemployer plans. These cuts were authorized by the Multiemployer Pension Reform Act of 2014.

In the Senate, the Keep Our Pension Promises Act of 2015 is S. 1631; in the House H. 2844. Co-sponsors of the Act include Senators Sherrod Brown (D-Ohio), Tammy Baldwin (D-Wis.), Debbie Stabenow (D-Mich.) and Representatives Brendan Boyle (D-Pa.), Keith Ellison (D-Minn.), Mike Honda (D-Calif.), Gwen Moore (D-Wis.), Tim Ryan (D-Ohio), Jan D. Schakowsky (D-Ill.), and Louise Slaughter (D-N.Y.).

Why the Multiemployer Pension Reform Act’s Cutback Provisions Must Be Repealed

More than 10 million Americans depend on a multiemployer pension plan for their retirement security. While most multiemployer plans are well-funded, some plans—including the Central States Teamster Pension Fund—are facing significant funding shortfalls over the next 15-20 years.

Everyone agrees that we should take strong action to save multiemployer pension plans. But the Multiemployer Pension Reform Act of 2014 (MPRA) “saves” multiemployer plans by allowing plan trustees to cut already-earned benefits, including the benefits of those people already retired. This is unprecedented and is an ill-conceived and misguided approach to solving the problems facing these plans.

Until MPRA was enacted in December of last year, the federal private pension law, ERISA, provided that pension plans could not cut retirees’ benefits unless they completely ran out of money. MPRA overrules 40 years of law by allowing cuts in retirees’ benefits while plans are still solvent simply because they are projected to become insolvent within 20 years.

Congress passed MPRA in a last-minute stealth maneuver at the end of last year. This 161-page so-called pension “reform” legislation was slipped into the 2014 end-year omnibus spending bill that Congress had to pass to avoid a government shutdown. Now, more than a million Americans who worked hard their entire careers, and gave up pay raises and other benefits for the promise of a pension, are vulnerable to having their benefits cut by as much as 60 percent or more.

Except for a brief discussion in the House Rules Committee, there were no committee hearings to examine the legislative language in the House or the Senate, and there was no vote on either the Senate or House Floor focused on these provisions.

Who Will Be Hurt by MPRA?

Retired truck drivers, pipefitters, nurses, grocery store cashiers, and others, and their widows and widowers, who depend on their earned pensions to make it through retirement. According to the Pension Benefit Guaranty Corporation, as many as 1.5 million workers and retirees could
be affected by these cutbacks now. Many more could be hurt in the future. None were given a forum to have their voices heard.

Some multiemployer pension plans face funding shortfalls. In particular, two large multiemployer plans are seriously underfunded and have low ratios of workers to retirees. This puts unfair burdens on employers contributing to these plans, and if the problems of these plans are not addressed, the federal pension insurance program could be affected. But balancing the books on the backs of the most vulnerable is not the right solution.

Why the “Keep Our Pension Promises Act” Must Be Passed

In its rush to pass legislation last year, Congress never considered alternatives to slashing the already-earned benefits of America’s retirees.

The Keep Our Pension Promises Act provides an alternative. It protects the pension benefits retirees have earned throughout their working careers while strengthening multiemployer pension plans for contributing employers and active workers. Most important, unlike MPRA, it does not put financial burdens on pensioners who have few other sources of income for a secure retirement.

What Would the Keep Our Pension Promises Act Do?

The Keep Our Pension Promises Act Would Repeal MPRA’s Pension Cutback Provisions
The legislation recognizes that pensions earned by individuals throughout a lifetime of hard work are crucial to their retirement security. It would restore the protections of 40 years of pension law and ensure that retirees in financially-troubled multiemployer pension plans would be protected from having their earned benefits cut.

The Keep Our Pension Promises Act Would Strengthen Troubled Multiemployer Pension Plans
The legislation would allow financially distressed multiemployer plans to apply to the Pension Benefit Guaranty Corporation for a “partition order” which, if issued, would require the PBGC to provide financial assistance to the plans. This will mean that plans and their contributing employers would no longer have to pay the full benefits of “orphaned” retirees and beneficiaries whose former employers are no longer putting money into the plan – thereby protecting the orphans who had no responsibility for the underfunding of their plans and mitigating the burden on existing employers of funding orphan benefits.

The Keep Our Pension Promises Act Would Provide the PBGC with Funds to Help Plans
A Legacy Fund would be created within the PBGC to enable the agency to provide plans with the financial assistance authorized by the new law. This assistance would be transferred to the plans each year and would be sufficient to pay amounts equal to PBGC guaranteed benefits to orphaned retirees, widows and widowers who are now receiving benefits. The plans would pay the balance of the orphans’ full pensions.

The PBGC’s New Legacy Fund Would Be Supported by the Elimination of Two Tax Breaks
The money used by the PBGC’s Legacy Fund to assist financially troubled multiemployer plans to partially fund orphans’ benefits would come from eliminating two tax breaks that primarily benefit very wealthy Americans.
The Keep Our Pension Promises Act Provides Bankruptcy Protections to Multiemployer Plans
This bill ensures pension obligations are prioritized during bankruptcies. This helps the remaining employers in the plan by making it less likely they become responsible for underfunded orphans.